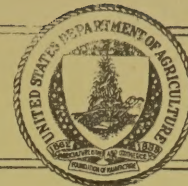


U. S. DEPARTMENT OF AGRICULTURE
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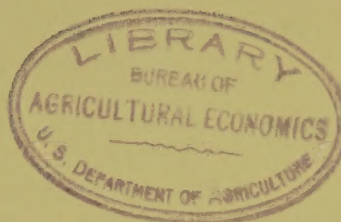
WASHINGTON, D. C.

AGRICULTURAL ADJUSTMENT ADMINISTRATION

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January 7, 1936

Release - Immediate

FARM LEADERS INVITED
TO CONFERENCE ON AGRICULTURE

Leaders of farm organizations, and other agricultural spokesmen from different parts of the country were invited to Washington by Secretary Wallace today to discuss plans for agriculture in the light of the Supreme Court decision in the Hoosac Mills case.

The conference was announced today following consultation by Secretary Wallace and Administrator Chester C. Davis with executives of national farm organizations. It is to be held in Washington on Friday and Saturday, January 10 and 11.

About 70 thus far have been invited.

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The partial list of those invited to the farm conference follows:

Carlisle Thorpe, Los Angeles, California
C. C. Teague, Santa Paula, California
W. R. Ronald, Mitchell, South Dakota
E. F. Creekmore, New Orleans, Louisiana
C. G. Henry, Memphis, Tennessee
Charles Ewing, Chicago, Illinois
N. C. Williamson, Lake Providence, Louisiana
C. V. Gregory, Chicago, Illinois
Charles W. Holman, Washington, D.C.
Louis J. Taber, Columbus, Ohio
C. E. Huff, Chicago, Illinois
Edward A. O'Neal, Chicago, Illinois
Dante Pierce, Des Moines, Iowa
Clarence Poe, Raleigh, North Carolina
Fred Sexauer, New York, New York
N. P. Hull, Detroit, Michigan
Earl C. Smith, Chicago, Illinois
Clarence Roberts, Oklahoma City, Oklahoma
Judge John D. Miller, New York, New York
M. W. Thatcher, Chevy Chase, Maryland
Frederic P. Lee, Washington, D. C.
Robin Hood, Washington, D. C.
Fred Brenckman, Washington, D. C.
William Hirth, Columbia, Missouri
O. L. Brownlee, Sioux City, Iowa
E. E. Kennedy, Kankakee, Illinois
E. E. Everson, St. Charles, South Dakota
Walter Maddock, Bismarc, North Dakota
William Settle, Indianapolis, Indiana
I. I. Showalter, Mt. Crawford, Virginia
Dr. Tait Butler, Memphis, Tennessee
Frank Briggs, Dallas, Texas
Judge X. Caverno, Canalou, Missouri
D. R. Coker, Hartsville, South Carolina
R. M. Evans, Des Moines, Iowa
Ben Everett, Palmyra, North Carolina
L. M. Gentry, Springfield, Illinois
Claude Hall, Woodsdale, North Carolina
Claude Ingraham, Hollis, Oklahoma
Charles M. Kearney, Morrill, Nebraska
Percy Lemann, Donaldsonville, Louisiana
H. G. Lucas, Brownwood, Texas
H. S. Muir, St. Paul, Minnesota
Ford Patterson, Mt. Sterling, Kentucky
W. L. Randolph, Auburn, Alabama
G. T. Scott, Smithfield, North Carolina
Lamar C. Trousdale, Houston, Texas
Fred Wallace, Lincoln, Nebraska
Harold Young, Little Rock, Arkansas
J. F. Porter, Columbia, Tennessee
W. P. Davis, Boston, Massachusetts.

O. J. Odegard, Princeton, Minnesota
B. D. Ayres, Accomac, Virginia
Joseph Andrasen, St. Anthony, Idaho
Elmer Mitchell, Rochester, Indiana
G. S. Harmount, Houma, Louisiana
A. J. Beck, Washburn, Maine
Roy A. Porter, Elba, New York
Romeo E. Short, Brinkley, Arkansas
Homer Brinkley, Lake Charles, Louisiana
Lyle Johnstone, Chicago, Illinois
Lyle L. Hague, Chicago, Illinois
Leo Doheny, Brady, Montana
K. Edward Anderson, Buffalo, Minnesota
Charles C. Talbott, Jamestown, North Dakota
C. W. Fine, St. Paul, Minnesota
D. L. O'Connor, St. Paul, Minnesota
K. W. Hones, Colfax, Wisconsin
A. R. Shumway, Milton, Oregon
A. R. Hyde, Alva, Oklahoma
L. I. Mayhugh, Kress, Texas
Oscar Bledsoe, Greenwood, Mississippi
W. M. Garrard, Greenwood, Mississippi

January 7, 1935

Add -- FARM LEADERS CONFERENCE

The AAA has been advised by E. A. O'Neal, President of the American Farm Bureau Federation, that he has asked the entire board of directors of the organization to be in Washington for the conference. The AAA also has been advised by L. J. Taber, Master of the National Grange, that he has invited the Grange's National Executive Committee. The National Cooperative Council is to meet here Monday and undoubtedly some of its members will be able to reach Washington by Friday or Saturday for the conference.

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RELEASE WHEN ADDRESS IS GIVEN

THE SUPREME COURT DECISION

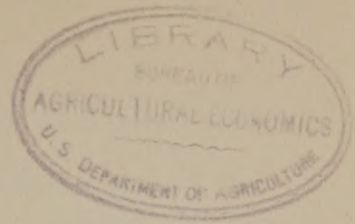
Remarks by Henry A. Wallace, Secretary of Agriculture, over the National Farm and Home Hour, National Broadcasting Company, January 7, 1936, at 1:00 P. M.

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On March 10, 1933, about fifty representatives of farm organizations from every section of the United States assembled with us in Washington to decide upon a farm program to be submitted to Congress. On March 16, a farm bill was introduced into the Congress, and on May 12, 1933, the Agricultural Adjustment Act became law. When, on May 27, 1935 the National Industrial Recovery Act was ruled unconstitutional by the Supreme Court, farm leaders and the Congress endeavored to profit by that decision and took what seemed to them the necessary steps to strengthen constitutional defects in the Agricultural Adjustment Act. On January 6, 1936, however - twenty-four hours ago - the Agricultural Adjustment Act was declared unconstitutional by a majority of the Supreme Court of the United States, three members of the Court dissenting.

The gist of the majority opinion is as follows:

The Adjustment Act is unconstitutional, the Supreme Court declares, because it violates States' rights, as protected in the Tenth Amendment to the Constitution. Agricultural production, the Court says, is "a purely local activity." But the Agricultural Adjustment Act, the Court declares, presumes federal power to control agricultural production in an effort to give farmers fair exchange value for their products. There is no power in the Constitution, the Supreme Court declares, giving the Federal Government the right to regulate agricultural production, "therefore, legislation by Congress for that purpose is forbidden."



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The power to control agricultural production, if it exists at all, must under the Constitution remain with the States rather than the Federal Government. The majority opinion of the Supreme Court further observes that regulation of agricultural production under the Adjustment Act is not in fact voluntary; but even if it were voluntary, it would still be outside the power of the Federal Government. Again finally, "Contracts for the reduction of acreage and the control of production, "declares the Supreme Court, "are outside the range of that power. . . the Congress cannot invade State jurisdiction to compel individual action; no more can it purchase such action."

What I have just given you is, I believe, the heart of the majority and controlling opinion of the Supreme Court. The dissenting opinion, subscribed to by three of the nine Justices, does not find the Adjustment Act unconstitutional, and declares that the Constitution means what it says when it says "that the power to tax and spend includes the power to relieve a nation-wide economic maladjustment by conditional gifts of money."

Both of these opinions are epochal. I cannot urge too strongly that they be read in full and studied carefully in every American home.

As an immediate consequence of the Supreme Court's decision, processing tax collections have been stopped, benefit payments have been cut off, and the whole machinery of the Agricultural Adjustment Administration has necessarily come to a pause. Sign-up campaigns for the 1936 adjustment programs have, of course, been halted. For the benefit of those who are still owed money by the Government on contracts entered into before the Supreme Court decision, the majority leaders of Congress have given assurance that they will do everything in their power to speed the enactment of special appropriations to enable the Government to make good on these contracts. Meanwhile we are studying every possible avenue of approach to a sound, satisfactory farm program.

We hope that the immediate effect of the Supreme Court decision on farm prices will not be serious. Exactly what the effects will be six or nine months hence, it is impossible to say. Concerning the long-time effects it is easier to reach an opinion. At any rate I thought so in July of 1934. An opinion expressed at that time is sufficiently removed from the excitement of the moment to be calm and, I believe, unprejudiced. I should like to have you consider three paragraphs I wrote in July, 1934, and published in a book in the fall of that year. These paragraphs are as follows:

"I would not mind seeing the processing tax and acreage control abolished in 1936 if we have something better to take its place. But unless we have built up greatly increased foreign purchasing power by reducing tariffs, or unless we start loaning money outside the United States to enable foreign nations to buy our surplus, I am afraid that dropping the processing tax and acreage control in 1936 would result, with the ordinary run of weather, in a repetition within a few years of the 1932 situation.

"In saying this I realize quite well that during the first year or two after the removal of the processing taxes, the result might seem quite happy, indeed. In the case of a product like hogs, I would anticipate that a sudden removal of the processing tax might result in some increase in cash prices. If this comes at the same time that there is a reduced production resulting from the previous production control, the outcome would be to cause unthinking farmers to say, "Isn't it fine without the processing tax? Look how much better off we are without it.

"It is exceedingly important now to weigh all the possible substitutes for a processing tax. If no substitute is provided, and foreign purchasing power has not been increased by reduced tariffs, I am very much afraid that farm product prices within three years will be down again to a point where they will buy only half as much city products as they should buy in order to give this country a balanced prosperity. No one wants a repetition of 1932."

This concludes my analysis of the present situation as made in 1934. It would be premature to say more than this until the wise leaders of Congress and agriculture have had an opportunity to counsel together.



U. S. DEPARTMENT OF AGRICULTURE
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WASHINGTON, D. C.
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Release - Immediate

(U. S. DEPARTMENT OF AGRICULTURE)

January 8, 1936

SUPREME COURT DECISION
DOES NOT APPLY TO MARKETING AGREEMENTS

Field agents of the general crops and dairy sections of the Agricultural Adjustment Administration have been notified that in the opinion of the Department of Agriculture, the Supreme Court decision in the Hoosac Mills case does not invalidate the marketing agreement, order and license provisions of the Agricultural Adjustment Act.

The question of the marketing agreement, order and license provisions of the Act was not before the Supreme Court in the Hoosac Mills case.

There are in effect under the original Agricultural Adjustment Act marketing agreements and licenses, or licenses alone, for 28 fluid milk marketing areas, in addition to those for the dry skimmed milk industry and the evaporated milk industry, and for 12 fruit and vegetable industries. The process of substituting agreements and orders under the Agricultural Adjustment Act as amended in August 1935 for agreements and licenses under the original Act has been under way for some time and Administration officials stated that this work is being continued.

Marketing agreements and orders under the amended Act are in effect for the California citrus industry and the California walnut industry. Hearings on new marketing agreements and orders have been held for the Florida celery industry, the paper shell pecan industry, the western Washington vegetable industry, the Colorado vegetable industry, the St. Louis milk marketing area, and the Boston milk marketing area.

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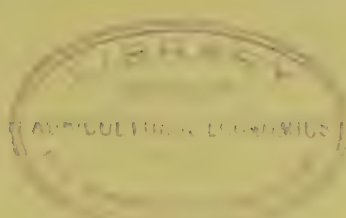


U.S. DEPARTMENT OF AGRICULTURE
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WASHINGTON, D. C.
AGRICULTURAL ADJUSTMENT ADMINISTRATION

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WASHINGTON, D. C.
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Release - Immediate

January 10, 1936

Remarks of Chester C. Davis, Administrator of the
Agricultural Adjustment Act, before conference of farm
organization representatives at the Department of Agri-
culture, January 10, 1936.

I want to repeat and confirm what the Secretary said, gentlemen, about
our appreciation of your coming down here so promptly and in such numbers. No
agricultural program which rests on a federal law could be enacted and put into
effect unless it has the fairly general and substantial support of the men who
are gathered in this room here this morning and of the organizations they
represent.

This is a meeting of organized agriculture to face the situation that
existed after Monday's opinion of the Supreme Court, which held, in effect that
wherever it could be challenged by Court action federal programs that affect or
control or seek to control agricultural production are out of the window because
agriculture is a matter of purely local concern reserved to the states under
Article 10 of the Constitution.

Naturally the first thing we did, and I imagine you did, after the handing
down of that opinion was to analyze both the majority and the minority opinions.
We wanted to see what was left in the way of a possible going ahead with the

great movement in which probably more than half of the farmers of the United States have been cooperating during the last two years, the last two years and a half.

We believe that notwithstanding the breadth of that opinion, the majority opinion, that if the farmers are willing and desirous, and if Congress is willing the way is still open to go ahead by which the farmers may carry on this program or a program of continued advance for agriculture and have federal aid in doing it.

But before appraising that, it seems to me that it would be a good idea to lay out on the table and consider here, briefly, the large number of suggestions that are being considered up on the Hill and out in the country as possible alternatives to this Agricultural Adjustment Act, or that portion of it which was stricken down by the majority decision. We sent out word, on the advice of our Legal Division, that marketing agreements, orders, and licenses, and other sections of the Agricultural Adjustment Act, were not in the path of the decision and therefore not affected, and we can go ahead. But we also sent out word immediately suspending all activities in the states and the counties and here that look toward controlled production or the broad activities with the basic commodities under the Agricultural Adjustment Act.

Several things obviously have to be done. On one of them there is complete unanimity of thought; that is that provision should be made immediately, or as speedily as the amounts can be determined and Congress and the executives can act, to provide for the payment of obligations that have accrued under the 1935 programs and contracts, and under the carryover from 1934 and 1933 contracts that have still been unsettled. I think there is no question whatever as to the possibility of accomplishing that. It will mean that the men who, under contracts with the Government signed prior to the 6th of January, have carried out in good faith their obligations, will be paid by the Government. There will

naturally be some concern and I have no doubt that appropriate legislation looking toward the state of the Treasury, in view of the question thrown upon taxes heretofore collected under the Agricultural Adjustment Act can be enacted. But those are both, you might say, backward looking, or at least do not extend beyond the current program.

Now, the question that naturally concerns us, and on which we want the advise of this group, and the advice of groups who were unable to be here today but will be in the city tomorrow, or Sunday or Monday, is what can be done to enable the farmers to go ahead with a farm program which will hold the lines and make the advance possible without bringing down on our heads consequences which will be disagreeable to face some time later. A number of suggestions are considered here, some of them in the nature of what you might call palliatives which might meet the situation for this year or a year and a half, but we have been forced to consider their consequence on agriculture the year after that, because I think that both Henry and I, and all those of us who are temporarily associated in discharging these responsibilities, are moved by a desire to leave the condition of agriculture when we lay down our jobs no worse than when we took them up, and as much improved as possible.

We are all of us conscious of the fact that there is a lot of discussion, a lot of favorable opinion back of the domestic allotment plan, which proposes that payments be made -- and the Supreme Court let the way open for that -- upon the domestic portion of each man's production, without any check rein or cooperative brake on the amount of production. There is a lot of support back of that, and from the standpoint of maintaining agricultural income in an improved situation, there is a great deal to be said for it. The thing that bothers us and the thing that perhaps you ought to weigh is the situation that we faced in 1933 and 1934, and consider what sized yields of several important

crops, with normal weather, might result from that program. You may want to consider, for example, whether the markets of the world will take and consume the crop of cotton which might result, or whether, on the other hand, with that kind of a program we might not find ourselves facing the situation where again we would have a 25 or 26 million bale supply on the markets of the world. That is what I referred to in saying that when we lay down our responsibilities we would like to leave the situation considerably improved over that which we found.

Then, I don't know whether the temper of the country is such that it would long continue a subsidy of that sort. If under the weight of continuing new supplies, and increased supplies, the price moved downward, and if it was sought to maintain a price based on cost of production, or price based on the parity concept, or any other price level which is fair to the farmer in exchanging his goods for the things he needs to buy, in order to maintain his income, a progressively higher subsidy would have to be paid as the general market price worked down under the weight of the surplus.

Those are some of the things that occurred to us in connection with that plan in considering it in the light of our own experiences. The plan has many good features, but if it is not related to some cooperative effort, a successful cooperative effort on the part of the farmers, to adjust their production efforts to the best market that is available to them, I wonder what will happen.

I see a lot of men in this room, some I haven't met for ten or twelve years, who were associated with us in the very active effort we made for the McNary-Haugen Bill from 1923 to 1928. I think when I get in that field I can speak with some right because I imagine I put more time on that than any other man in this room. Time might have been all I put into it, but nevertheless I did put time into it. Now, we are hearing a lot of talk about reviving that. You

know the principle of that plan was to indemnify exporters and cooperative groups for the difference between the domestic price -- under the McNary-Haugen Bill, at one time that was called the parity price and at another time it was called the height of the tariff above world prices whatever they may be --- at any rate, the principle was to indemnify exporters for the difference between the world price and that price which would prevail in the United States in order to induce the shipment abroad of the surplus of these commodities and to finance it by the equalization fee. As I have said frequently, the equalization fee is simply another word for the processing tax -- the tax or fee laid on the sale or handling or manufacture of the commodity to raise enough money to pay that export subsidy. I worked for that, and a good many of you worked for that, from 1923 to 1928. At that time we were loaning money abroad which financed the purchase of the surpluses that were going out of this country, and going out freely. I think that the McNary-Haugen Bill at that time would have worked because we were selling abroad and loaning money with which to buy our products. Of course, to the extent that those loans were not repaid, we gave those commodities away. I mean that the United States on the whole gave them away. But in late 1929 or 1930, I think it was, Mr. Secretary, I know I personally came to the conclusion that I had trotted the last heat that I was ever going to trot in that race.

Conditions in the United States had so changed that the export markets open to this nation were no longer open to the extent they had been. Some other method, some other mechanics, some other economic mainspring to maintain those farm prices had to be found. You men know the situation abroad induced by our own creditor position which the Secretary mentioned, induced by the desire of nations living under the shadow of possible war to become self-sufficient, in order to have essential war materials.

In the situation that has developed now embargoes, quota restrictions, and excessive tariffs have been creating obstacles that you cannot hurdle in volume, no matter how much you subsidize. That is an angle we have been up against in trying to work out opportunities to sell abroad under subsidy. We have that authority under the Agricultural Adjustment Act, and I would say those powers are untouched by this decision as far as the power to spend goes. We are working all the time on problems related to finding new export outlets. I could, if I had time, give instance after instance where we made a thorough investigation of possibilities of accomplishing a real benefit along that line, and have had to give it up in a great majority of cases.

There is another side to that thing. Let us say we were able to find a market but it had to be accomplished at prices so far below the farm cost of production in this country that it would mean, in effect, giving the commodity wholly, or in large part, away. Are we wise to do that? As the guardians and custodians of this priceless heritage of the soil and its fertility, are we wise to mine this soil to the limit and ship that soil fertility abroad for nothing, or little more than nothing? That is a question I think this group wants to consider. It is a question we have been sharply up against right here in this country.

What I am saying about the McNary-Haugen bill applies, with modifications, to the export debenture proposal, and I approach all these things with the greatest sympathy, as we all do. I just don't believe from our own experience that they are likely to work. What you have got to do is to bring together your composite opinions and suggestions and see what you and representatives of organized agriculture, leaders of organized agriculture, think about these things.

Another proposal has had considerable support. A bill was introduced in Congress yesterday looking toward it. This proposal would rest on the outright purchase or lease of land. The idea would be that if the government were to lease or buy up land, the 50,000,000 surplus acres to which the Secretary referred could thereby be retired, leaving the agricultural situation in a sound condition, ready to go ahead. I think it only goes part way. What I am trying to do is to reveal what conclusions we have reached from the experience we have had down here, and in no sense attempting or trying to tell you what to think about it.

Here seems to me to be the major defect in that plan: I think unless it were accompanied by conditions as to the use of the land, you might as well go down to the banks of the Potomac and try to bail it out with a dipper. You could take so many acres of land out of cultivation. You could buy up large areas of submarginal land. But if the farmer was free to plow up all the other land that he had or that was available, you would not influence the total output appreciably. That is just the way it seems to us.

Another suggestion I have heard seems to have a lot of merit. It is that the federal government might embark on a policy of loaning money at a satisfactory price level on the storable agricultural commodities. The proposal is to make as a condition of those loans the adjustment of production of the borrower. The aim would be to accomplish, in effect, the same results the farmers have tried to accomplish under the Agricultural Adjustment Act. One thing obviously occurs to the men who have been working with the present program. That is that if such a loan plan worked, and if by reasons of the price fixing loans, the price in this country was secured so as to make the loans safe -- that is, holding the price level up to the loan level -- then it is clear that the man who did not take a loan and therefore did not agree to make any adjustment

in his productive effort would get precisely the same benefits from it as the man who did cooperate. Old heads in the cooperative movement who are in this room recognize in that defect the germ of dissolution of the proposition. That is, if the outsider, the non-cooperator, reaps equal benefits with none of the risks over a period of time, the plan, it just seems to me, is not likely to stand up.

Any of the plans that are based on government price fixing by direct Congressional act, or executive act, no matter what you call them, need to be examined from the standpoint of the mechanics. That is, how are you going to make them stand up. I have no quarrel at all with the cost of production boys. But I always want to go back of it and back of any other plan which by government action would attempt to fix the price, and satisfy myself as to the economic force that will make it stand up and work.

In the loan plan that I just discussed, and in the plans to fix a price, I have waived raising any constitutional question, although recently we have all become jack-leg lawyers and constitutional experts, just as you have out in the country. A loan which is conditioned on adjustment of production will be just as unconstitutional, under Mr. Justice Roberts' opinion, as the the Agricultural Adjustment Act. The only question would be whether it could be brought into court in such a way that it could be decided.

I suppose the price-fixing proposal would rest upon the power of Congress to regulate interstate and foreign commerce. We who have been working with the marketing agreement and license plans down here realize what a sharp and strict line the courts have drawn between interstate and intra-state commerce. The Supreme Court and certainly the lower courts in many areas not particularly sympathetic to the Agricultural Adjustment Act seem to have taken a much more narrow view on that point than the Supreme Court took in the old Lemke case

arising in North Dakota. The Lemke decision seemed to indicate that wheat in the farmer's wagon on the road to the elevator was in interstate commerce. The courts now are not looking at it in that same way, judging from recent decisions. Those constitutional questions are fairly obvious and will occur to you.

The question is, how can you make price-fixing stand up unless the government is ready to buy out of the market all that the trade won't take at the established price. Now, there is no way I know of to compel the buyers to take all the farmers will produce at a fixed price. They will take whatever supply they feel confident they can re-sell at margins above that fixed price. What happens to the rest? If it is produced, some agency has to be in position to support that agreed price, or fixed price, by taking it out of the market. When you get that supply, what can you do with it? We have done a great deal, I think, down here in buying commodities and distributing them for relief purposes. There is a limit to that, as you know. I have already indicated what I think are some of the limitations of finding a market abroad. But back of all those plans the thing to do is to spread the blueprints and find the machinery which, cog by cog, will make the thing work. That, it seems to me, is what needs to be done in considering Government purchase and stabilization plans of all sorts.

If those who are in positions of some responsibility to agriculture can not profit by experience, then this thing is hopeless. Personally, I think the Federal Farm Board made a very important contribution to this developing agricultural policy in the United States. One of the things their experience taught us is that it is comparatively easy and simple and popular to buy up and acquire a commodity, but that you get into genuine trouble when you have to let go of it and turn it back into the market. Any plan that depends on purchases, unless you can keep the channels of trade open and can move out what you buy,

needs genuine scrutiny.

Now, I have just stated hastily and briefly a few of the things which are being discussed here in Washington which you will want to consider. Maybe I am wrong in my views, which I think represent the analysis of my associates in the Department of Agriculture. I haven't tried to raise constitutional questions except to recognize them in some of the plans that are now being discussed.

It would not be appropriate, I think to stop here. That looks like coming into a room with no exits and saying that there is no door out of the room at all.

Early last month I was in Chicago addressing the American Farm Bureau Federation. I made a statement something like this: that if the farmers desired it, generally and strongly enough, and if Congress is willing to go ahead, I believe a way could be found in conformity with an adverse Supreme Court decision for the farmers to go ahead with the support of their Government in an agricultural program. I confess that after reading the majority opinion, I thought that was a pretty brash statement. But on more careful study I still believe it is true. After all it rests wholly on these two assumptions, one, that the farmers want to go ahead, and second, that Congress is willing to do it and has courage enough to stand up there and meet the assaults of those who will be ready to say that anything that will work is unconstitutional under the decision in the Butler case. That is exactly what Congress is going to be up against. There is not any question about it.

Justice Roberts said in his majority opinion:

"We are not here concerned with a conditional appropriation of money, nor with a provision that if certain conditions are not complied with the appropriation shall no longer be available. By the Agricultural Adjustment Act the amount of the tax is appropriated to be expended only

in payment under contracts whereby the parties bind themselves to regulation by the federal government. There is an obvious difference between a statute stating the conditions upon which moneys shall be expended and one effective only upon assumption of a contractual obligation to submit to a regulation which otherwise could not be enforced."

Conditional payments financed by direct appropriation out of the United States Treasury, but conditioned in such a manner as to go only to farmers who meet conditions aimed to conserve their soil and to bring about positive use of the land taken out of intensive cultivation of crops which are not needed in the volume in which they would be produced, might be a way out for this group to consider.

Now, I have talked longer than I should. I think this should be open to questions and answers in this informal discussion here this morning. I want to say just one thing in closing and take full responsibility for that myself.

I am no lover of crop restriction or crop control; if we could sell at a fair price all the products of our soil, I would be the happiest man in the world to see this whole thing go, but I believe that farmers have to reckon with a society and an economic system in which the corporations and institutions which produce the goods the farmer has to buy, do regulate their output to the need of the market, whatever that market may be, and shut down even though they have to throw workers out in the street and on relief when they have reached that point in production. As long as that condition prevails in our economic system, personally, I do not see how the farmers can trade squarely unless they themselves cooperatively regulate the output of the goods which they offer in exchange.

Before this meeting breaks up, as the Secretary said, there are one or two announcements that we can make about the place in which the meeting, the farm meeting, can carry forward under such rules and regulations as you may decide. Our conception of this was that we wanted to greet you here this morning and let you know some of the things that are in our mind and that after you adjourn this meeting you might re-assemble in quarters we can provide, if you wish. From that point on the meeting is yours and we only attend at your invitation. If you want to bring any of us in to question us or for further discussion, we are at your service, and that goes for everybody in the Department of Agriculture, including the Triple A people.

There are one or two suggestions that I would like to give you. There are a number of Members of Congress who would welcome an opportunity some time to hear what the group is thinking about, and maybe say somethings themselves. That includes the members of the two committees on Agriculture. Because of the limits of this room, and the fact that it was not possible to invite all of them down here, it was hard to draw the line between those invited and those not invited. Therefore we have confined this meeting this morning to the Department of Agriculture and the representatives of organized agriculture. Whatever you decide to do about that, that is up to you. I would make a suggestion that some one be named here as temporary chairman, simply to call the/afternoon meeting to order.



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Remarks of Henry A. Wallace, Secretary of Agriculture,
at a meeting of farm leaders, Washington, D. C., January 10, 1936.

This is a significant occasion.

To many of you, this meeting will recall the conference here on March 10, 1933, when we gathered to formulate the Agricultural Adjustment Act. Many of us thought then that that was the most important meeting that had ever been held in the interest of agriculture. We know now that this meeting today should be of even more importance. And today's meeting, like the one in 1933, is vital not only to the welfare of agriculture but also to the welfare of the nation.

I believe all fair-minded men regardless of region or political party know that farm welfare must be preserved. Only a small minority of the thoughtless hailed the recent Supreme Court decision as meaning that the Federal Government no longer can be concerned with the economic welfare of agriculture in the United States.

The government of the nation does have a profound concern with the welfare of agriculture. The national welfare is identical with the welfare of the great economic groups which comprise the whole people.

Doubtless there are some seeking to help mold farm policy who would like to see agriculture given a share in the national income so large as to unbalance our national economy. Perhaps some others are more interested in the welfare of a particular political party than in the welfare of all the farmers. There

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are possibly some who in reality are more closely affiliated with certain commercial groups than with agriculture and who may try to interfere with agreement upon a sound farm program.

The time has come for those who believe that the balanced welfare of agriculture is essential to the general welfare to speak plainly about obstructionists. I am sure that most business men and consumers are friendly to the farmer, but there are certain small but powerful cliques which have steadily fought all efforts on the part of this Government and preceding Governments to extend even a modest aid to agriculture. Some of these obstructionists to the agricultural welfare, as it relates to the general welfare, hope and believe the recent decision means the end of all effective governmental interest in the farm problem. Others are willing to buy the farmers off temporarily with unsound measures. A familiar method of the opposition is to split the farm groups among themselves. Wherever the obstructionists to the future welfare of agriculture and the nation may be found, no matter how openly or how obscurely they may burrow in the service of special interest and outworn principles, they ought to be challenged. This seems a suitable occasion to throw the spotlight of challenge upon them in the name of the agricultural welfare and the general welfare. These obstructionists will be found in all parties from the extreme left to the extreme right. They will be found in all regions and classes, but of course they represent a minority. I know they cannot speak for business men generally. Of the hundreds of encouraging telegrams that have come to us this week, an astonishingly high proportion are from country bankers, merchants, and other independent business men. It is up to all who are constructively minded to push forward in the name of agricultural unity for the sake of national unity in the long run.

On March 10, 1933, it was reasonably easy to get a unanimity of farm opinion because of the magnitude of the calamity which then was upon us. The urge of 15-cent corn, 30-cent wheat, \$2 hogs, 6-cent cotton, thousands of foreclosures, and farm holiday violence propelled us toward quick and united action. Within a few days the farm bill was introduced in Congress and by May 12 it had become a law.

Today there is on the face of it not the same urge for unanimity that there was in March, 1933. The farm picture has changed for the better. I leave to you the task of appraising the accomplishments of the Agricultural Adjustment Administration and other recovery measures in changing that picture. It is perhaps enough to point to the fact that farm income for the crop year ending next July 1 will be about 55 percent greater than in the period ending July 1, 1933. This increase from 5 billion to 8 billion dollars has meant a sharp upturn in the standard of living from the low levels of 1932 for every section of agriculture.

That increased purchasing power has found its way to every industrial community. In fact about 40 percent of the improvement in the general business situation may be ascribed to the increase in the purchasing power of the rural areas. It is now generally conceded that the first great impetus to general revival came in the agricultural areas. This fact and the general spread of improvement in agriculture and industry is adequate tribute to those of you who in our 1933 conference helped shape the Agricultural Adjustment Act and predicated it upon the basic principle that recovery in agriculture would automatically promote recovery in industry and thus contribute to the general welfare. If further tribute were needed, it might be found in the fact that industrial leaders, immediately after hearing of the Supreme Court decision, began asking how their sales to farm families would be affected. One farm leader of my

acquaintance has told me that within half an hour after the decision was made public, he was called on the phone by a prominent farm machinery manufacturer who wished an opinion on what the decision meant in terms of decreased sales of farm machinery.

While farmers can hardly be called prosperous at the present time, they are in a sufficiently good position to be easier prey for the opportunists who in the past have played upon sectional jealousies and traditional prejudices to keep them divided among themselves. The gravity of the present situation is really made more ominous by the improvement since 1933. It may lull some of us into forgetting that basic problems remain unsolved. For it has always been the temporary and immediate favorable market situation which has made it difficult for farmers to prepare for and ward off the disasters of the future. Without in any way wishing to be an alarmist, I feel I might be candid with you and say that it would not take very long, given good weather, to return to the disorganization caused by the towering surpluses of three years ago.

With favorable weather and no acreage control it is quite possible that we may have this year a 16-million bale cotton crop, or even larger. Similarly as to corn, it is conceivable that without acreage control there will be planted 110 million acres which, if we have a favorable crop year, would give us fully 500 million bushels in excess of the demand by the present livestock population and possible mill takings. In 1934, when I wrote about the possibility of no AAA in 1936, I suggested it might take two or three years in the absence of crop control to bring about a full return to surplus conditions. It is

conceivable, however, that for certain crops a return to that depressed situation might come even more quickly than I suggested when I went on record in 1934. In the case of livestock and its products the situation, as is nearly always the case, lags a year or two after the disastrous price decline in the grain crops. It was the fear of \$4 hogs in 1937 or 1938 that caused 800,000 farmers to vote for a corn-hog program in the referendum on October 26, 1935. It was the fear of \$4 hogs in late 1937 or 1938 that caused many beef and dairy cattle men who are aware of the price inter-relationships to look with greater favor on AAA in the latter part of 1935 than had hitherto been the case. Some of these men know the extent to which cheap and abundant pork wrecks the beef market and the degree to which hog producers, when in trouble, turn to the production of beef and dairy products. The more thoughtful among hog men are aware that reduced cotton plantings have cut down the annual production of cotton seed oil to an extent representing the lard from 10 to 15 million head of hogs.

Thoughtful people have long realized that fundamentally and eventually the agricultural problem is one problem. They realize that trouble to the cotton or corn growers rapidly spreads to hogs and then to the beef and dairy cattle industries. For those who are fundamentally trained in agriculture the appreciation of agricultural unity is relatively easy. Unfortunately, it has been more difficult to bring about a full appreciation of the unity of the entire national economic fabric. But as we in agriculture have come to understand that the welfare of our different groups of producers is closely tied together so there has been marked progress among the great non-agricultural groups in the country in understanding that this nation is really one and that for the nation to advance it is necessary that each of the great groups comprising it also advance. The improvement of the whole really means improvement among the constituent parts. It was truly astounding that in the recent poll of the Institute of Public Opinion 41 percent voted for the Agricultural Adjustment Act whereas only 23 percent of the entire population lives on farms, and probably not over 10 percent of these voting in the poll were signers of AAA contracts. It is a real accomplishment that in the last three years so many town and city people of the United States have come to understand the relationship of town and city welfare to the welfare of agriculture.

It is unfortunate that the agriculture program could not have gone on uninterrupted. I believe that at the rate of progress already made we should have had a 65 percent approval of reasonable agricultural plans within the next three or four years.

For the present, however, it is clear that in the cities of the great industrial and commercial areas of the East and the Pacific Coast, there is as yet far too little understanding of the true relationship of agricultural welfare to the general welfare. I am mentioning this situation because I think it is exceedingly important that in drawing up any new agricultural program we must be

in a position sooner or later to convince the consuming population that our program is not merely for agricultural welfare but also in the interest of the general welfare. No agricultural program, I hope, will be sponsored by this group which means scarcity to the consumer. We all recognize that a farm prosperity gained by a policy of domestic food scarcity, could not and should not be lasting. To stop shipping our soil fertility at bargain prices to foreign countries is one thing; to reduce production for domestic consumption is quite another. I hope, therefore, that all programs proposed by this conference recognize both the welfare of the consumer and the long time conservation of our soil. We want our consumers abundantly taken care of but we do not want to plow an unduly high percentage of soil which washes and blows away and give the product of that soil away for practically nothing merely to satisfy certain special interests which profit by volume. These special interests would be delighted to give 6-cent cotton, 30-cent wheat, 5-cent lard, 8-cent tobacco to foreign nations. Their altruism is amazing as long as it is someone else's labor and soil fertility that is being given away.

I believe the AAA has steadily been directed to the general welfare and that now we have an opportunity to draft another bill which I hope will be just as decisively in the farm interest as the AAA and which will make an even stronger appeal to the consumers of the nation as being sound and fair.

We have ventured to ask you to come to Washington to give us here in the Department of Agriculture and Agricultural Adjustment Administration the benefit of your advice as to what may be done to meet the present situation, preserve the gains that we have made, and avoid disaster in the future.

I do not have words to express adequately my appreciation of your past cooperation and of what your presence here today means to me. I hope that in your deliberations, as in early March, 1933, you will put aside all trivial matters and focus attention upon the fundamentals of the situation which confronts

I wish to call your attention to some of these fundamentals. One of them is the cultivation of 50 million acres whose products used to have a market but which now have no market, or only a poor one. Due to our creditor position, foreign tariffs and other reasons, the products of these lands have a terribly demoralizing effect on our agricultural price structure whenever weather conditions are favorable. In 1934, the adjustment programs kept 36 millions of these acres out of production of the basic crops. In 1935, 30 million acres were transferred to other kinds of production. Millions of these acres were transferred to the production of legumes and grasses. If there is no control in 1936 and weather conditions are favorable we can well imagine, as I indicated a few minutes ago, what will happen to these products which depend directly or indirectly on the world market, and we must give consideration to the effects of price declines upon business in the agricultural regions and in the industrial centers. The problem of 50 million surplus acres, gentlemen, is still with us. Neither the drought of 1934 nor the AAA programs of '34 and '35 have caused them to disappear. They are still there. They are as much the concern of business as of agriculture. They are a national problem. We believe that a plan can be devised which will use these 50 million acres in such a way as to serve the long time welfare of the farmer, the consumer, and the voiceless land.

